

FISCAL NOTE

HB 2314 - SB 2294

March 18, 2005

SUMMARY OF BILL: Creates a three-day sales tax holiday, beginning at 12:01 a.m. on the first Friday of each August and ending at 11:59 p.m. on the following Sunday. Exempts from state and local sales tax clothing with a sales price not exceeding \$100 per item, school supplies with a sales price not exceeding \$100 per item, and computers with a sales price not exceeding \$1,500 per item.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$7,320,000

Increase State Expenditures - \$74,000 One-Time

Decrease Local Govt. Revenues – Net Impact - \$2,810,000

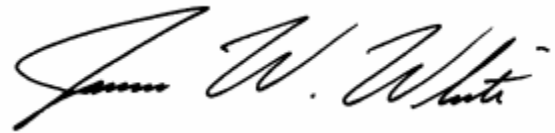
Assumptions:

- Based on September 2004 state tax collections (reflecting August 2004 sales), approximately \$4,100,000 in state revenues would have been lost on the sales of the specified items of this bill, with the price restrictions, by having an equivalent three-day sales tax holiday in August of 2004.
- 85% of purchases below price ceilings established in bill.
- Tax holiday increases consumption expenditures by 200%.
- 1-year annual sales growth for 2005 is estimated at 5%.
- Decrease in state revenues estimated at \$7.32 million per year ($\$4.1 \text{ million} \times 85\% \times 200\% \times 105\% = \$7,318,500$).
- Based on September 2004 local tax collections (reflecting August 2004 sales), approximately \$1,400,000 in local government revenues would have been lost on the sales of the specified items of this bill, with the price restrictions, by having an equivalent three-day sales tax holiday in August of 2004.
- Decrease in local government revenues estimated at \$2.5 million per year ($\$1.4 \text{ million} \times 85\% \times 200\% \times 105\% = \$2,499,000$).
- Decrease in local government revenues from loss of state-shared sales taxes is estimated at \$310,800 ($\$7.32 \text{ million} \times 4.2462\% = \$310,822$).

- Net impact to local government revenues is estimated as a decrease of approximately \$2.81 million (\$2.5 million + \$310,800 = \$2,810,800).
- One-time state expenditures for computer programming and software modifications estimated at \$74,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director